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C O N F I D E N T I A L SECTION 01 OF 02 TEL AVIV 002465

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SUBJECT: SHAUL MOFAZ BRIEFS THE AMBASSADOR ON HIS PEACE PLAN

Classified By: Ambassador James B. Cunningham, Reason 1.4 (b) (d)

¶1. (C) Summary/Comment. Member of Knesset (Kadima) and former Deputy PM, Defense Minister and IDF Chief of General Staff Lt. General (retired) Shaul Mofaz briefed the Ambassador November 9 on the peace plan that he announced at a press conference the previous day. Mofaz' plan provides for the establishment of a Palestinian state with temporary borders on sixty percent of the West Bank within a year or two, followed by intensive final status negotiations. Mofaz said his plan avoids a drawn out final status negotiating process by combining the step by step approach with final status negotiations. He stated that it would change the regional atmosphere by moving quickly to the creation of a Palestinian state without initially requiring the removal of settlements or IDF bases in the West Bank. Regarding Gaza, Mofaz said it would be part of the Palestinian state as soon as the "legitimate Palestinian Authority" controls it.

(Note: Mofaz' press conference touched off a controversy due to his stated willingness to negotiate with Hamas if they agreed to negotiate on the basis of his plan.) Mofaz said he has discussed his plan with members of the cabinet and "about eighty" members of Knesset, although not yet with Kadima Party head Livni. He said that despite Israeli popular skepticism about the possibility of negotiating a stable peace with the Palestinians, there is still broad support for a two-state solution. His plan, he stated, is the only initiative that would achieve both. He dismissed a public statement by Saeb Erekat rejecting his plan, saying that if the U.S. supported the plan, the PA would come around. Mofaz will be in Washington next week and is interested in meeting Administration officials.

¶2. (C) Comment: Mofaz is challenging Livni for the leadership of Kadima, and his proposal is an attempt to take the peace issue away from her. As a reputed hardliner, he is also challenging Netanyahu with a specific if imperfectly formed proposal, placing himself on the political seam between Likud and Kadima. This may lay the groundwork for eventually pushing Kadima into the governing coalition. Livni has insisted on remaining outside the coalition because the Netanyahu government is not serious about peace. Netanyahu's own attempt to portray himself now as a peace activist, and the Mofaz initiative, may increase the pressure on her from disgruntled Kadima MK's who want to get back into government. End Summary/Comment.

Mofaz' Plan

¶3. (C) Shaul Mofaz launched his peace plan at a November 8 press conference in Tel Aviv. (We e-mailed a PDF English version of the plan to NEA, NEA/IPA and NSC November 9.) In a November 9 meeting with the Ambassador and PolCouns, Mofaz said that Israel and the Palestinians have been trying to negotiate a final status agreement for sixteen years without success. Neither final status negotiations nor step by step approaches have worked. Stressing the urgency of moving toward a two-state solution, Mofaz said the biggest threat facing Israel is not a nuclear Iran but the prospect of

Israel turning into one state for two nations. Negotiations at this point could drag on for another sixteen years, time that Israel cannot afford as it faces a worldwide loss of legitimacy.

¶4. (C) Mofaz said his idea is to approach the problem in two phases. In the first phase, a Palestinian state with temporary borders would be established on sixty percent of the West Bank. This would include all of Areas A and B (forty percent of the West Bank), as well as an additional twenty percent from Area C. Although Mofaz noted that his published plan does not include any maps in order not to limit the negotiating freedom of the GOI, he assured the Ambassador that the temporary borders would be drawn in such a way that ninety-nine percent of the Palestinian population of the West Bank would live in the new Palestinian state without requiring the removal of any settlements or IDF bases. Phase One could be carried out within one to two years, and would allow Israelis and Palestinians to rebuild trust while gaining U.S. and moderate Arab support. At the end of Phase One, the Palestinians would agree on the end of conflict and Israel would extend its sovereignty to the large settlement blocs, which would become Israel's eastern border.

Movement toward a Palestinian state could start within six to seven months, Mofaz said, and would be coordinated with international efforts to develop the infrastructure of the Palestinian state. Mofaz also said he would accept the presence of international security forces to assist the Palestinians with security.

¶5. (C) Phase Two would consist of intensive final status negotiations, with a provision for U.S. mediation to close

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gaps. Israel would prepare for the evacuation of what the plan refers to as "isolated settlements" by passing a compensation law in the Knesset. Mofaz said that while it was currently impossible politically to evacuate settlements, under the new atmosphere created by his plan, the GOI could evacuate the 62,000 settlers outside the blocs without disturbing the 238,000 settlers inside the blocs. Mofaz estimated that half the "outside" settlers would evacuate voluntarily, and that the cost of resettling and compensating the entire group would be about NIS twelve billion (about 3.24 billion dollars). At the end of the process, Mofaz said the Palestinians would get "almost all the 1967 territory but not the 1967 borders" due to land swaps. Mofaz repeated, as he had said at the press conference, that he would "guarantee" the Palestinians that the final arrangement would grant them a state with "at least ninety-two percent" of the West Bank.

¶6. (C) The Ambassador asked whether Gaza would be part of the Palestinian state in Phase One. Mofaz said it could not be since the Palestinians would not agree to include Gaza as long as it remains under Hamas control. Gaza would be part of the Palestinian state as soon as the legitimate Palestinian Authority has control. (Note: In his November 8 press conference, Mofaz generated a controversy due to his comment that he would negotiate with Hamas if Hamas agreed to negotiations based on his plan. Israeli media reports November 10 suggest that Mofaz is conferring with legal experts about the legality of meeting with senior Hamas officials, but he did not mention this in his meeting with the Ambassador other than noting that if Hamas agreed to negotiate it would no longer be Hamas.)

Israeli Political Support for the Plan

¶7. (C) Mofaz said his plan is a "balanced" proposal which he has discussed broadly within the Israeli political system. He asserted that there is considerable support for it within the cabinet, including Ehud Barak as well as President Peres from outside the cabinet, although some key ministers are opposed to it. The cabinet has reviewed various peace

options, including a permanent status agreement, IDF further redeployments, and a Palestinian state with provisional borders, adding that he thinks his plan is the "best way" to move forward. Mofaz said he has discussed it with "about eighty" members of Knesset, including many in Likud, although apparently not with Kadima Party head Tzipi Livni. Mofaz said that many in Likud understand that Israel needs a peace plan in order to change the current "bad atmosphere."

¶8. (C) After the PA holds elections, Mofaz said it will be up to Netanyahu to decide how to move forward. Negotiations alone would be a mistake since they would drag on for years while the region slides toward war. Netanyahu's idea of economic peace has positive elements, but alone it will not solve the problem. Mofaz said he watched a November 8 television interview with Saeb Erekat in which Erekat firmly dismissed the idea of a Palestinian state with temporary borders, but said he thought he it would be possible to convince the Palestinian leadership of the benefits of his plan after the PA holds elections, especially if the U.S. backs the plan. Mofaz said time is not working in the interests of either Israel or the moderate Palestinians, but the problem can be solved with the right leadership. Mofaz said that with his plan, a Palestinian state could be established by the end of 2011, adding that his message is that negotiations alone are not enough. Mofaz noted that he has been working with a group of Israeli experts and is ready to share the details of his plans for technical issues such as water sharing and infrastructure development.

Agree with Obama on the Need to Move

¶9. (C) In response to the Ambassador's question, Mofaz said he thought the current Israeli coalition could adopt his plan. Most of the coalition recognizes that although Israelis are skeptical about peace with the Palestinians, they want a solution and are in need of hope for the future. Mofaz said he agrees with President Obama on the urgency of the need to move forward, but cautioned that we must find the right mechanism. The Ambassador commended Mofaz for having concluded that Israel needs to act. Mofaz agreed that the time as come for action, since otherwise the situation will only get worse. Mofaz said he will be in Washington November 18 and expressed interest in meeting Administration officials during his visit.

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